

Message Text

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PAGE 01 STATE 184195

71

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DELIVER ACTION OFFICER OPENING BUSINESS JULY 26

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TAGS: EFIN, EEC

SUBJECT: EC COMMISSION APPROACH TO CIEC IMPASSE

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PAGE 02 STATE 184195

REF: EC BRUSSELS 7275

1. SUMMARY: THE FOLLOWING GIVES BACKGROUND ON POSITIONS OF G-19 AND G-8 ON DIVISION OF WORK ON DEBT BETWEEN DEVELOPMENT AND FINANCE COMMISSIONS OF CIEC. END SUMMARY.

2. DURING JOINT SESSIONS OF DEVELOPMENT AND FINANCE COMMISSION, G-19 MADE NUMBER OF PROPOSALS REGARDING DIVISION OF WORK ON DEBT. EC COMMISSION IS PROPOSING TO ACCEPT SECOND DRAFT OF 19 WHICH WAS WITHDRAWN IN LAST JOINT MEETING. TEXT READS AS FOLLOWS:

(1) A JOINT MEETING OF THE COMMISSIONS ON DEVELOPMENT AND FINANCIAL AFFAIRS TOOK PLACE ON JULY 16, 1976 TO CONSIDER THE ITEM "INDEBTEDNESS OF DEVELOPING COUNTRIES" WHICH WAS ALREADY ON THEIR AGENDA IN THE FIRST PLACE OF THE DIALOGUE.

(2) DURING THE DISCUSSIONS IT WAS RECOGNIZED THAT DEBT PROBLEMS OF DEVELOPING COUNTRIES HAVE BOTH DEVELOPMENTAL AND FINANCIAL IMPLICATIONS WHICH REQUIRE CONSIDERATION

DURING THE SECOND PHASE OF THE CONFERENCE WITH THE VIEW TO FACILITATE AGREEMENT ON CONCRETE PROPOSALS TO BE SUBMITTED FOR APPROVAL TO THE MINISTERIAL CONFERENCE.

(3) THE JOINT MEETING OF THE COMMISSIONS AGREED THAT CIEC IS AN APPROPRIATE FORUM FOR DEALING WITH THE PROBLEM OF INDEBTEDNESS OF DEVELOPING COUNTRIES. THE JOINT MEETING DECIDED THAT THE COMMISSION ON FINANCIAL AFFAIRS WILL FORMULATE PROPOSALS TO GUIDE DEBT REORGANIZATION OPERATIONS.

THE COMMISSION ON DEVELOPMENT WILL FORMULATE PROPOSALS ON OTHER ASPECTS OF INDEBTEDNESS OF DEVELOPING COUNTRIES INCLUDING MEASURES WHICH WILL CONTRIBUTE TO THE ALLEVIATION OF THEIR EXISTING DEBT BURDEN IN THE CASE OF DEVELOPING COUNTRIES DEPENDING LARGELY UPON AID AND HAVING SERIOUS STRUCTURAL FINANCIAL PROBLEMS AND IN PARTICULAR LEAST DEVELOPED COUNTRIES, MOST SERIOUSLY AFFECTED DEVELOPING COUNTRIES AND OTHER COUNTRIES IN NEED.
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PAGE 03 STATE 184195

THESE PROBLEMS WHICH MAY LEAD TO DIFFICULTIES IN IMPLEMENTING THEIR DEBT SERVICE CONSTITUTE GENERAL PROBLEMS OF TRANSFER OF RESOURCES.

(4) THE TWO COMMISSIONS WILL HOLD JOINT SESSIONS PERIODICALLY AND AT LEAST ONCE DURING THE SEPTEMBER SESSION, TO BRING TOGETHER THEIR WORK AND FINALIZE THEIR PROPOSALS DURING THE OCTOBER SESSION.

3. SWEDEN WAS ONLY MEMBER OF G-8 WHICH WAS ABLE ACCEPT THIS TEXT IN ITS ENTIRETY. OTHER MEMBERS OF 8 RALLIED AROUND JOINT EC/US TEXT WHICH WAS DESIGNED TO COME AS CLOSE AS POSSIBLE TO G-19 POSITION. ITS FIRST TWO PARAGRAPHS ARE IDENTICAL TO G-19 PROPOSAL. PARAS 3 AND 4 READ AS FOLLOWS:

(3) PURSUANT TO UNCTAD RESOLUTION 94(IV), THE JOINT MEETING OF THE COMMISSIONS AGREED THAT CIEC IS AN APPROPRIATE FORUM FOR DEALING WITH THE PROBLEM OF INDEBTEDNESS OF DEVELOPING COUNTRIES. THE JOINT MEETING DECIDED THAT THE COMMISSION ON FINANCIAL AFFAIRS WILL FORMULATE PROPOSALS FOR FEATURES WHICH COULD PROVIDE GUIDANCE FOR DEBT REORGANIZATION OPERATIONS IN CREDITOR CLUBS IN ACUTE DEBT CRISIS SITUATIONS.

THE COMMISSION ON DEVELOPMENT WILL FORMULATE PROPOSALS REGARDING FEATURES WHICH MIGHT USEFULLY BE DISCERNED ON OTHER ASPECTS OF INDEBTEDNESS OF DEVELOPING COUNTRIES, INCLUDING MEASURES OF A VARYING NATURE WHICH WOULD

CONTRIBUTE TO THE PREVENTION OF DEBT SERVICE DIFFICULTIES AND TO THE ALLEVIATION OF THEIR EXTERNAL PAYMENTS PROBLEMS, IN THE CASE OF DEVELOPING COUNTRIES DEPENDING LARGELY UPON AID AND HAVING SERIOUS STRUCTURAL FINANCIAL PROBLEMS AND IN PARTICULAR LEAST DEVELOPED COUNTRIES, MOST SERIOUSLY AFFECTED DEVELOPING COUNTRIES AND OTHER COUNTRIES IN NEED. SUCH PROBLEMS, WHICH MAY LEAD TO DIFFICULTIES IN IMPLEMENTING THEIR DEBT SERVICE CONSTITUTE GENERAL PROBLEMS OF TRANSFER OF RESOURCES.

(4) THE TWO COMMISSIONS WILL HOLD JOINT SESSIONS AS LIMITED OFFICIAL USE

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PAGE 04 STATE 184195

NECESSARY AND AT LEAST ONCE DURING THE SEPTEMBER SESSION. THEY WILL BRING TOGETHER THEIR WORK AND ENVISAGE FINALIZING THEIR PROPOSALS DURING THE OCTOBER SESSION.

4. DIFFERENCES BETWEEN TWO TEXTS REVOLVE PRINCIPALLY AROUND 3 POINTS: A) RELATIONSHIP OF WORK OF CIEC TO UNCTAD RESOLUTION ON DEBT, B) TERMINATION OF WORK ON DEBT IN OCTOBER CIEC AND C) PROVISION OF IMMEDIATE DEBT RELIEF.

5. CIEC/UNCTAD RELATIONSHIP. AT UNCTAD IV, GROUP B COUNTRIES REJECTED GROUP OF 77 DEMANDS, AS FORMULATED IN MANILA DECLARATION, FOR A) IMMEDIATE DEBT RELIEF IN THE FORM OF A DEBT MORATORIUM FOR LEAST DEVELOPED AND MOST SERIOUSLY AFFECTED COUNTRIES, B) A FUND TO REFINANCE

COMMERCIAL DEBT FOR ALL LDCS, AND C) A DEBT CONFERENCE. IT WAS AGREED INSTEAD TO INVITE APPROPRIATE EXISTING INTERNATIONAL FORA (WHICH ALL AGREED MEANT CIEC IN PRACTICE) TO DETERMINE FEATURES WHICH COULD PROVIDE GUIDANCE IN FUTURE OPERATIONS RELATING TO DEBT PROBLEMS AS A BASIS FOR DEALING FLEXIBLY WITH INDIVIDUAL CASES. G-19 DRAFT MAKES NO REFERENCE TO UNCTAD RESOLUTION, INDICATING G-19 INTEREST IN REVIVING MANILA PROPOSALS ON DEBT. IT DOES, HOWEVER, LEAVE DOOR OPEN FOR FINANCE COMMISSION TO "DETERMINE FEATURES" AS RESOLUTION ENVISAGES. THE DIFFICULTY IN THIS RESPECT IS THAT CONSIDERING ALL ASPECTS OF RESOLUTION IN FINANCE COMMISSION WOULD TEND TO BLUR DISTINCTION WE (AND MOST OTHER MEMBERS G-8) THINK IS VERY IMPORTANT TO MAKE BETWEEN ACUTE DEBT CRISIS SITUATIONS AND THOSE WHERE DEBT MERELY PLAYS A ROLE IN AN OVERALL BALANCE OF PAYMENTS/RESOURCE TRANSFER PROBLEM. INSERTING WORDS "PURSUANT TO UNCTAD RESOLUTION ON LDC EXTERNAL DEBT MATTERS' AT BEGINNING OF PARA 3 OF G-19 TEXT DOES NOT IN ANY WAY RESOLVE THIS DIFFICULTY.

6. TERMINATION OF WORK IN OCTOBER. G-19 TEXT SETS FIRM DEADLINE FOR COMPLETION OF CIEC WORK ON DEBT IN OCTOBER.

G-8 COULD AGREE TO ENVISAGE FINALIZING PROPOSALS IN OCTOBER BUT WANTED TO LEAVE DOOR OPEN FOR FURTHER DISCUSSION IN NOVEMBER IF THERE HAD BEEN INSUFFICIENT LIMITED OFFICIAL USE

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PAGE 05 STATE 184195

OPPORTUNITY FOR EITHER SIDE TO ARGUE ITS CASE. THIS WAS NOT REALLY MAJOR POINT DIVIDING G-19 AND G-8. IF OTHER MATTERS WERE CLEARED UP, G-19 WOULD PROBABLY HAVE LITTLE DIFFICULTY IN AGREEING TO G-8 APPROACH.

7. IMMEDIATE DEBT RELIEF. FIRST G-19 DRAFT BLUNTLY CALLED ON DEVELOPMENT COMMISSION TO FORMULATE PROPOSALS ON IMMEDIATE DEBT RELIEF FOR LEAST DEVELOPED AND MOST SERIOUSLY AFFECTED. LANGUAGE IN SECOND DRAFT IS SOMEWHAT MORE VAGUE BUT G-19 SPOKESMEN MADE IT VERY CLEAR, THAT BY "MEASURES TO ALLEVIATE EXISTING DEBT BURDEN" THEY MEANT IMMEDIATE DEBT RELIEF. AMENDMENT WHICH COMMISSION PROPOSES ("MEASURES OF A VARYING NATURE TO ALLEVIATE EXISTING DEBT PROBLEM") SOFTENS TEXT SLIGHTLY BY OPENING WAY TO FORMULATION OF PROPOSALS OTHER THAN ACTUAL DEBT REORGANIZATION. WE SHOULD BE UNDER NO ILLUSIONS, HOWEVER, THAT G-19 TEXT, EVEN WITH COMMISSION AMENDMENTS, AT MINIMUM SERVES AS ADVANCE COMMITMENT TO DEBT MORATORIUM FOR LEAST DEVELOPED AND MSAS OR SIMILAR MEASURES AS PART OF MINISTERIAL DECEMBER PACKAGE. G-19 HAVE MADE IT CLEAR THAT THIS IS COMMITMENT THEY SEEK. GIVEN STRONG SUBSTANTIVE ARGUMENTS AGAINST PROVISION IMMEDIATE DEBT

RELIEF (SEE STATE 184169 , U.S. CONTINUES TO FEEL THAT IT
CANNOT MAKE SUCH A COMMITMENT (ALTHOUGH WE ARE WILLING TO
ALLOW G-19 TO RAISE IDEAS ON IMMEDIATE DEBT RELIEF IN
DEVELOPMENT COMMISSION WITHOUT A COMMITMENT TO FORMULATE
PROPOSALS IN THIS REGARD). ROBINSON

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